

MEMORANDUM

TO: BOB HOOD, DAC
FROM: Tom Motherway, MDRC
DATE: December 5, 1995
RE: Torrance - Sale of 30-40 Acres

TOM M ☐
*WE NEED TO FAX THIS TO BOB HOOD
TODAY (514) 921-9401 AND/OR
DELIVER TO BOB@ 3814 WOODBINE
ORANGE CA. 92666
PLEASE MARK UP AND LET'S TALK.
THANKS
TMO*

1. Having a very attractive offer in hand from VESTAR (one of the largest, most reputable power center developers in the country with direct ties to Wal-Mart) we have confirmed with Herb Lanese, the desire of MDC to accept Vestar's offer (preliminary draft attached - now in final draft negotiations) subject to your concurrence.
2. We have cleared this with Dan Summers and feel we can work with your environmental team to deliver the site environmentally clean and ready to start construction of Wal-Mart by mid-1997.
3. Narrow window of opportunity created by Lockheed-Martin's aggressive developer and design selection process for adjacent 67 acres. Lockheed-Martin will apparently select developer/buyer as early as December 6, 1995. Major power center retail developers have responded to Lockheed-Martin and confirmed that the site can support a minimum of 350,000 to 550,000 square feet of retail in first phase provided at least one major retail anchor is signed.
4. All developers confirm that Wal-Mart has a strong interest in the site assuming a 1997 site delivery with opening possible no later than 1998. All other destination anchors are already open in the trade area and have no interest in the site. If MDC site is not made available for retail, Lockheed-Martin site will be developed with Wal-Mart in an undesirable orientation to MDC land (we face their backside) with resulting diminution of MDC land value.
5. The Lockheed-Martin and MDC sites are considered essentially equal and interchangeable to both developers and retailers with offsetting pluses and minuses (i.e.: visibility and site dimensions vs. site delivery timing).
6. The C6 facility has been utilized for storage and shipping since the fabrication operation was closed. This was always considered an interim use pending higher value uses or opportunities.
7. Demolition of existing buildings, three major (37,61,& 67) and two minor (34 & 57) totaling 540,000 square feet will be required. There is currently 277,000 square feet of unassigned space at the facility so it is likely that the existing utilization could be absorbed into the remaining 1.9 million square feet.
8. This is a one time opportunity to quickly absorb 35 to 40 acres of 170 acre MDC facility. Retail market is only deep enough for one center. Use it or lose it to Lockheed-Martin. Industrial/warehouse and R&D are ultimately contemplated for the balance of the 170 acres. While the anticipated land values of these uses are slightly lower than retail, the infrastructure costs and absorption periods would be greater.

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9. MDC's larger master plan site, continued employment presence, along with support from Toyota and Allied Signal should result in Los Angeles City support with favorable entitlements, mitigation incentives, sales and property tax participation, environmental remediation and expedited processing.
10. Negotiated sale price of 36 acre site at \$10.10 psf would yield \$17M, less \$3M costs, less \$5M NBV for **\$9M Profit** before environmental remediation costs. City incentives expected to be additional \$2 psf (\$3M), so we intend to achieve a value of \$12/psf ultimately.
11. Vestar Development Co. controls Wal-Mart for south bay area. Six month due diligence period. MDC will likely spend 500k to \$1M for master plan, EIR, environmental testing, etc. during due diligence period. All of this entitlement work would benefit the 170 acre site and will ultimately need to be done anyway, as will any environmental remediation. MDC would be obliged to deliver a clean, rough graded site by July, 1997.
12. Request that DAC authorize MDRC to master plan and entitle the 170 acre site, and dispose of the retail parcel. Also request that DAC agree to vacate the necessary area to complete the retail sale, assuming that MDRC will be responsible to work with DAC facility staff to plan and implement the consolidation and/or construction necessary to meet MDC long-term objectives.

Attachments: Master Plan and Retail Site Plan

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